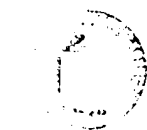


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Central Intelligence Agency



Washington, D. C. 20505

DATE 3/25/86DOC NO EURM 86-20040OCR 3P&PD 1

BACKGROUND FOR SECRETARY SHULTZ' WEST EUROPEAN TRIP

Summary

The West European countries you visit next week all place a high priority on ensuring amicable exchanges, but individual leaders in each capital will see your presence as a unique opportunity to press for US concessions -- particularly on trade and aid issues.

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This memorandum was prepared by the Western Europe Division. Comments and questions are welcomed and should be addressed to [redacted] Chief, Western Europe Division, Office of European Analysis [redacted]

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France

French officials who meet with you will be preoccupied with domestic politics in the aftermath of the National Assembly election on 16 March.

--Assuming the conservatives win the election, French officials, including President Mitterrand, will be distracted by the confusion surrounding the transition to a government of "cohabitation."

--Opposition leaders will still be jockeying for position, and we strongly doubt that the details of a new government will have been settled by the time you arrive. If the situation is clearer than we anticipate, you may be asked to meet with opposition leaders, such as Jacques Chirac, in addition to -- or instead of -- your scheduled sessions with former President Giscard and Foreign Minister Dumas

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--We believe Mitterrand will underscore the continuity in French foreign policy under cohabitation and stress the importance to France of close Franco-American ties.

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On specific foreign policy issues, Mitterrand is likely to hew to familiar French themes.

--He will join in decrying international terrorism-- especially in light of the recent kidnapping of four more French citizens in Lebanon

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--If pressed on the Libyan issue, he will probably argue that France is doing its part in the struggle against Qadhafi by frustrating his designs on Chad.

--Mitterrand is relieved that Duvalier's presence in France did not become a campaign issue, but he will probably stress that Paris expects continued US help in finding Duvalier a permanent home.

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The one issue that we think could become a serious bone of contention during your visit is the trade conflict with the European Community over tariff and quota revisions in Spain and Portugal caused by EC accession.

--Should the US announce retaliatory measures before your visit, Mitterrand will almost certainly register strong French objections. Any other French officials you meet will doubtless echo these protests.

--We believe that Mitterrand's response will be tempered, however, by his preoccupation with domestic politics and the overall favorable climate of Franco-American international economic relations.

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Mitterrand may well take the opportunity to applaud recent advances in international monetary cooperation.

--He has long pressed for more stable exchange rates and is likely to reiterate his support for the notion of an international monetary conference.

--He may ask that you to clarify US thinking on stabilizing exchange rates and offer the recent French Treasury proposal on target zones as a starting point.

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[REDACTED]

--Mitterrand is also likely to applaud the recent wave of interest rate cuts. He may also try to assure you that he will be calling the shots for France at the Tokyo Summit in May [REDACTED]

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Italy

Your visit to Rome could find Italian leaders on the verge of a government shakeup.

--Prime Minister Craxi's cabinet, which has been in office for a record-setting two and a half years, appears to be running out of steam.

--Craxi and Christian Democratic Party leader De Mita have been considering several options -- including a major cabinet shuffle and early elections [REDACTED]

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Regardless of the situation within the governing coalition, your interlocutors are likely to press you on a number of issues.

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[REDACTED]

--Craxi is apparently convinced that the US can persuade the UK and West Germany to support Italy's membership in the G-5, and he is likely to press you for such efforts. He may bring up the Tokyo Summit and state his support for the French proposal on exchange rate target zones. [REDACTED]

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[REDACTED]

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--Andreotti will also probably focus on a number of trade disputes. On the US-EC citrus dispute, he is likely to reiterate the following positions outlined in December talks with Ambassador Yeutter: political factors must be considered; US retaliation against pasta is unfair because it singles out Italy; and the US must act against North European products if it wants concessions from the EC. He is also likely to protest potential barriers to Italian ham and wine exports.

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Greece

Prime Minister Papandreou probably views your visit as a major opportunity to convince Washington of the sincerity of his commitment to steer bilateral relations into "calmer waters"-- a consistent theme since his reelection last June.

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In addition, he probably has several more specific goals:

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--We believe securing an invitation to visit the US is at the top of his agenda.

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[REDACTED]

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[REDACTED]

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--He probably sees a successful visit by you as an important step in creating the impression that Greece is a good credit risk, offers profitable investment opportunities, and is a safe place for tourists. [REDACTED]

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Papandreou will also want to avoid making commitments that would decrease his bargaining power later or limit his ability to pursue other important policy goals.

--US bases. We believe Papandreou will not want to be totally negative, but it is unlikely that he will make a more definite commitment to you at his time. [REDACTED]

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[REDACTED]

--NATO. Papandreou is unlikely to make any commitment to deepen or extend Greek participation in NATO exercises.

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[REDACTED]

[REDACTED]

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[REDACTED]

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Turkey

Prime Minister Ozal and other Turkish officials are likely to view your visit as a prime opportunity to press for trade concessions and other economic benefits from the US, defend Turkey's policies in the Middle East, and impress upon you the importance of Turkey's contributions to Western security. Given the role the Turks would like you to play in championing their interests, we believe your Turkish hosts will not use high pressure tactics but will rely on their diplomatic skills in trying to win a positive response from you.

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Foremost among Turkish goals during your visit will be:

- To derive additional benefits for Turkey in return for renewal of the US-Turkish Defense and Economic Cooperation Agreement (DECA). In particular, they want expanded access to the US market for Turkish products, especially textiles and steel. They may also urge you to intervene personally in the DECA negotiations.
- To secure your help in obtaining other economic and trade benefits from the United States. They might, for example, ask you to intervene to secure forgiveness of debts on Foreign Military Sales and to lobby for increased economic and military assistance, or even increased private investment.
- To solicit your understanding and support for Turkish policies in the Middle East and the importance of Turkey's ability to play the role of an "honest

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broker" between the West and the Muslim world, stressing Turkey's geographically exposed position and the military threat from Syria. They may emphasize Turkey's interest in promoting an equitable and non-destabilizing settlement of the Iran-Iraq war. Ozal will just have returned from Baghdad before meeting you and may wish to discuss new moves to settle the conflict.

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SUBJECT: Background for Secretary Shultz' West European
Trip

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